

The Importance of BLS Price and Consumer Expenditure Data

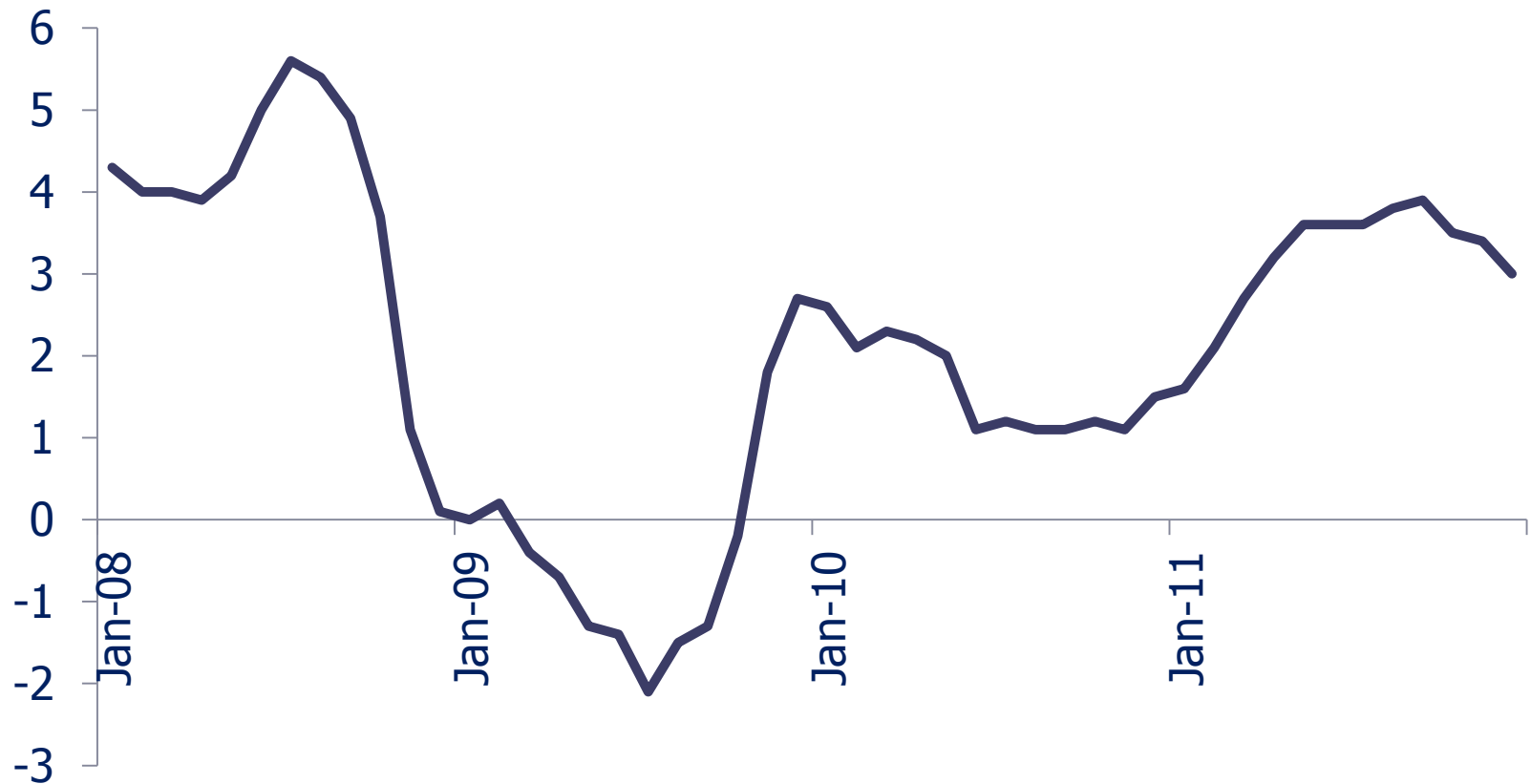
- ▶ Assessing of the strength of the U.S. economy
- ▶ Understanding inflationary pressures
- ▶ Cost of living and minimum wage adjustments
- ▶ Private sector contract escalation
- ▶ Official poverty thresholds updated by the CPI

Goal of the CPI

- To approximate a cost of living index.
- Cost of living is a theoretical concept. The CPI seeks to measure the change in the cost of living by measuring the change in prices that consumers pay for a market basket of goods and services.
- The price sought in the CPI is the retail, transaction price paid by the consumer, including sales and excise taxes.

CPI for all Urban Consumers, not seasonally adjusted, Jan 2008 – Dec 2011 (12 month % change)

All items



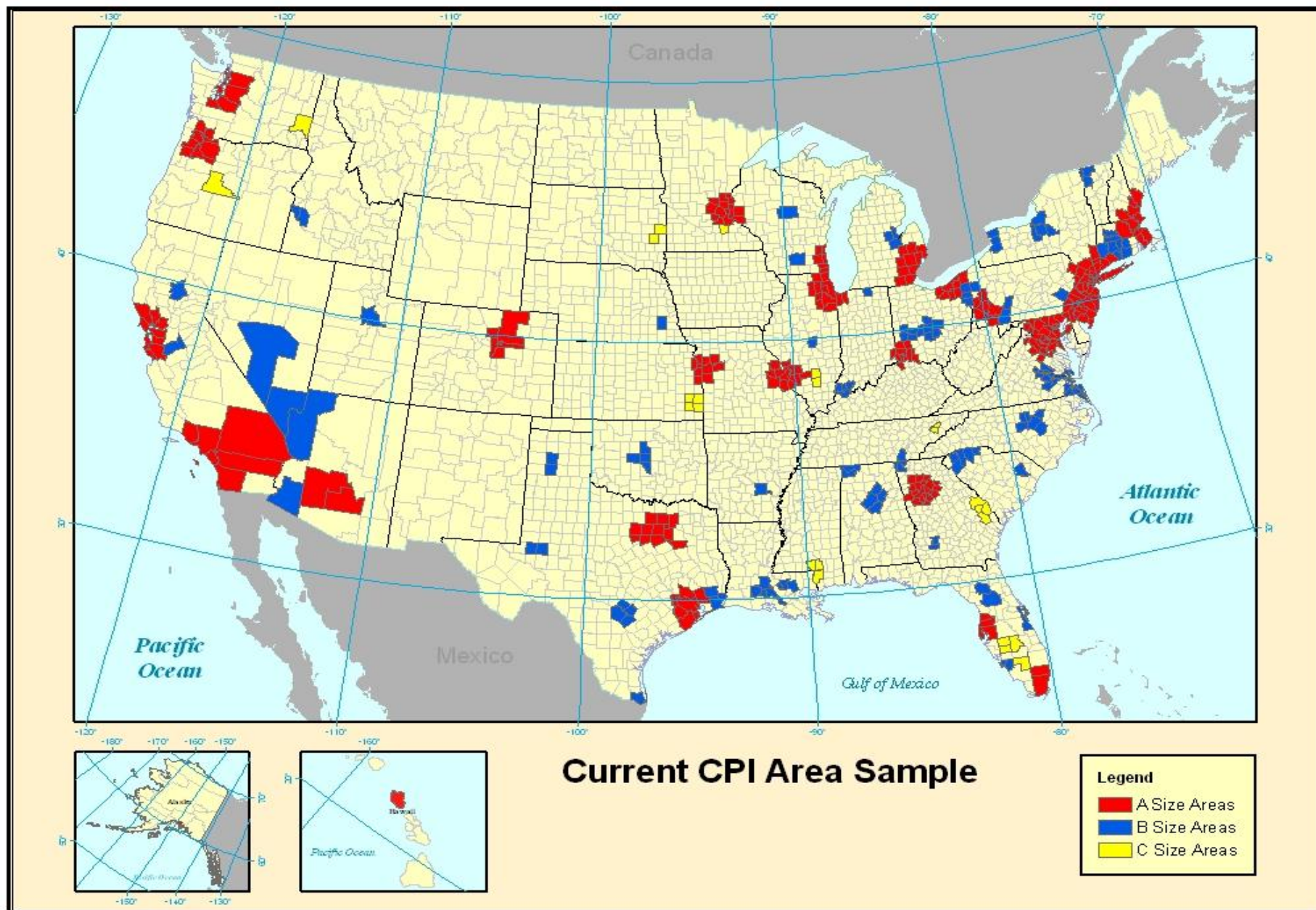
CPI Consumer Market Basket

- Food And Beverages
- Housing
- Apparel
- Transportation
- Medical Care
- Recreation
- Education and Communication
- Other Goods and Services

- All items
- Food
- Energy
- All items less Food and Energy

Sampling / Geography

- 87 geographic areas represent the urban population:
 - ▶ 31 large cities
 - ▶ 56 smaller urban areas ↔ 7 geography units
 - ▶ 38 distinct areas

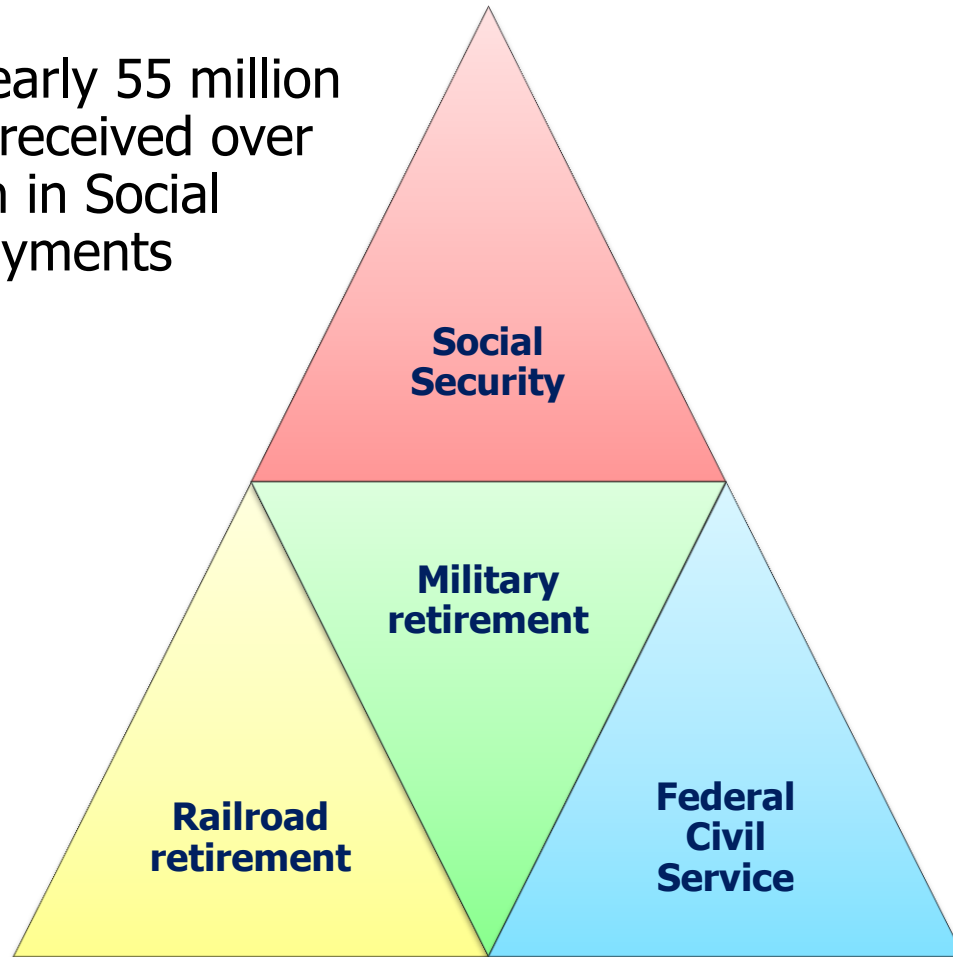


Data Collection / Outlets

- Monthly 450 staff economists collect prices for over 83,000 individual items.
- The CPI also tracks the rate of inflation in housing services through a survey of 57,000 (annual) housing rents.

Retirement benefits tied to changes in the CPI

In 2011, nearly 55 million Americans received over \$727 billion in Social Security payments



CPI-W and Social Security

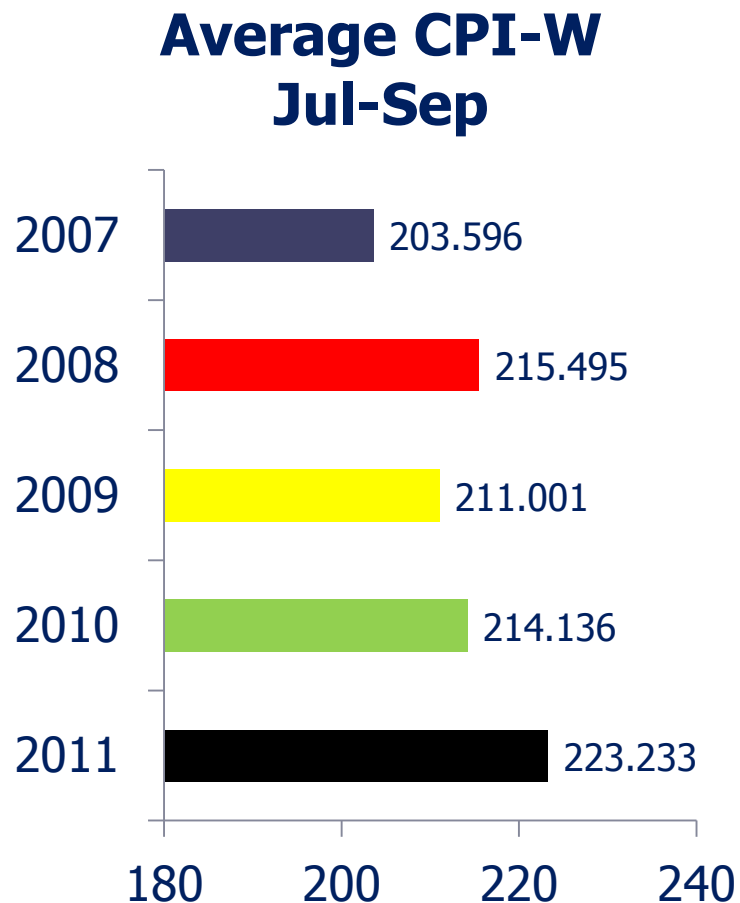
■ CPI-U

- ▶ The CPI-U for all urban consumers, CPI-U, represents the spending habits of 88 percent of the population of the U.S.

■ CPI-W

- ▶ The Consumer Price Index for Urban Wage Earners and Clerical Workers, CPI-W, represents the spending habits of about 29 percent of the population of the U.S.
- ▶ The CPI-W is used to adjust social security payments.

Social Security Cost of Living Adjustments, 2008-2011



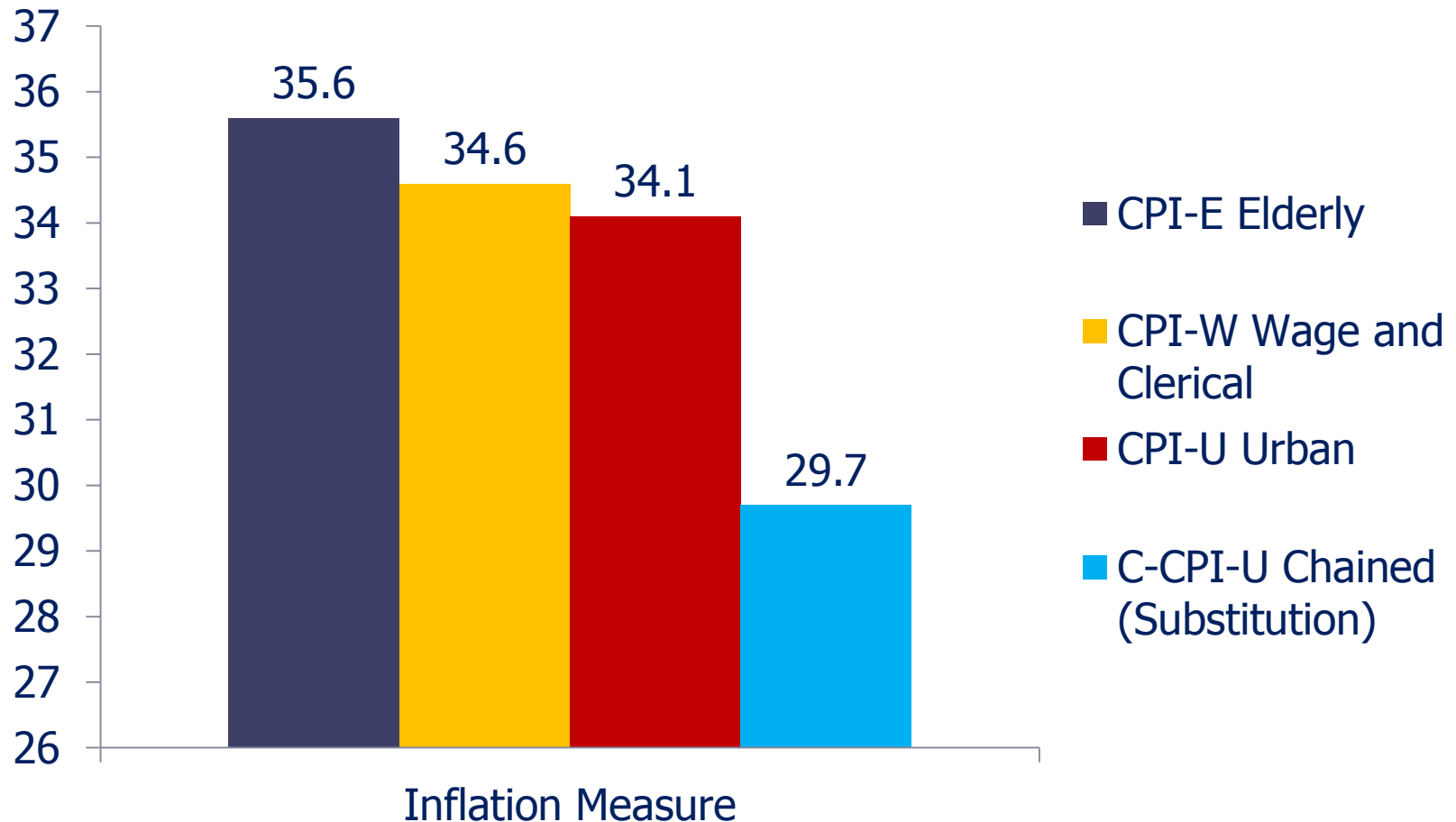
Year	% change from previous peak	Official COLA
2008	5.8%	5.8%
2009	-2.1%	0.0%
2010	-0.6%	0.0%
2011	3.6%	3.6%

CPI-E

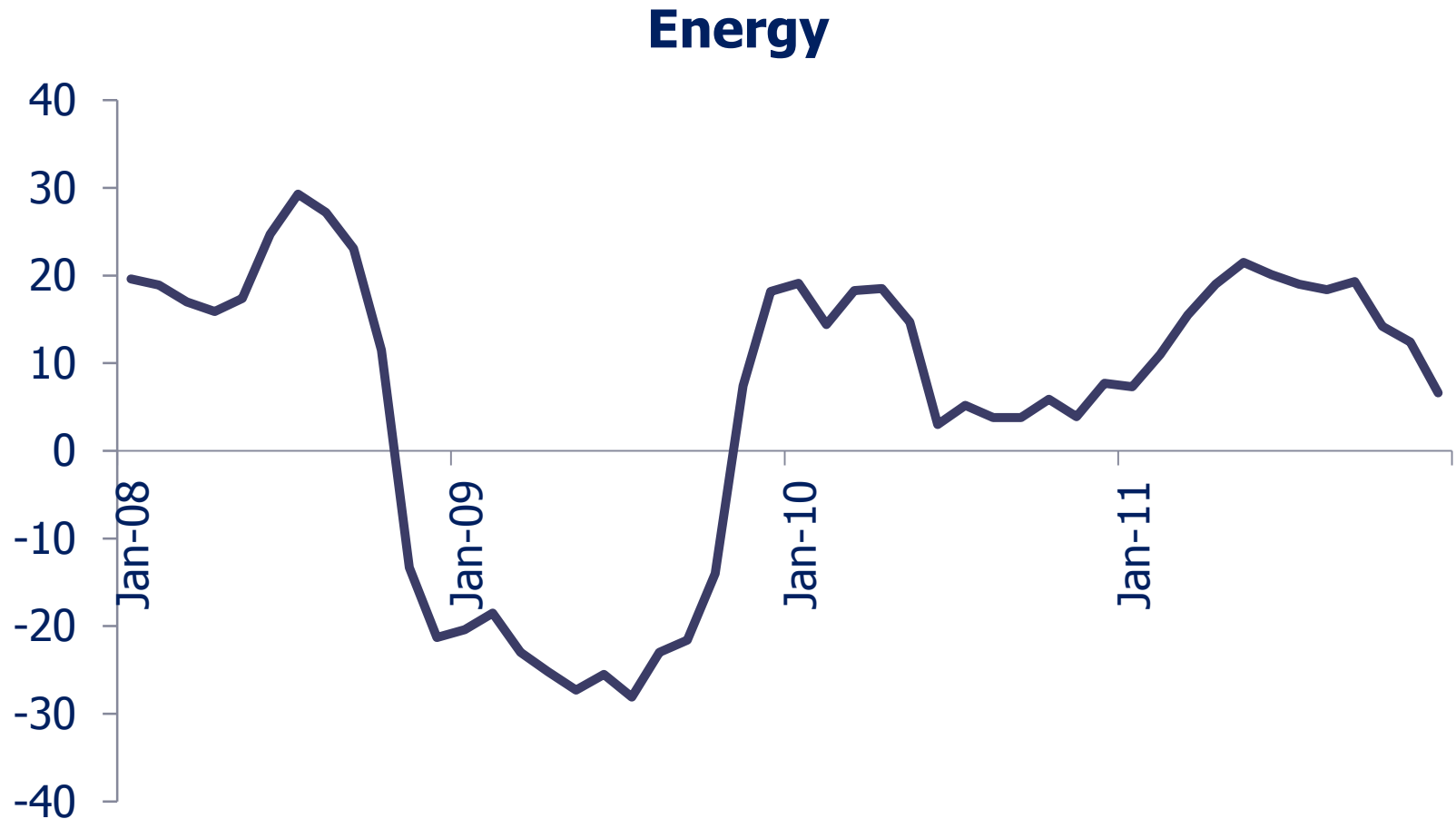
- The experimental CPI for the Elderly, CPI-E, representing Americans ages 62 and older, was developed in 1987 at the request of Congress. The series was reconstructed back to December 1982.
 - ▶ For the experimental CPI-E, we calculate weights for a subset of households where the reference person or their spouse is age 62 or older.
 - ▶ Coverage is about 16% of the population.

CPI Relative Importances, December 2011	CPI-U Urban	CPI-W Wage	CPI-E Elderly
All items	100.0	100.0	100.0
Food and beverages	15.0	15.7	12.8
Food at home	8.5	9.3	7.9
Food away from home	5.6	5.5	4.2
Alcoholic beverages	0.9	0.9	0.7
Housing	40.2	39.2	44.5
Shelter	30.9	30.0	34.3
Rent of primary residence	6.4	8.8	3.8
Owners' equivalent rent	23.5	20.5	29.3
Fuel oil	0.2	0.2	0.4
Apparel	3.5	3.6	2.4
Transportation	16.5	18.7	14.5
Motor Fuel	5.4	6.9	4.1
Medical Care	6.9	5.6	11.3
Medical Care Commodities	1.7	1.3	3.0
Medical Care Services	5.2	4.3	8.3
Recreation	5.9	5.5	5.3
Education and Communication	6.7	6.7	3.8
College Tuition and Fees	1.7	1.4	0.4
Other Goods and Services	5.3	5.1	5.4
Tobacco & smoking products	0.8	1.2	0.6

Percent change in inflation from Dec 1999 to Dec 2011



CPI for all Urban Consumers, not seasonally adjusted, Jan 2008 – Dec 2011 (12 month % change)

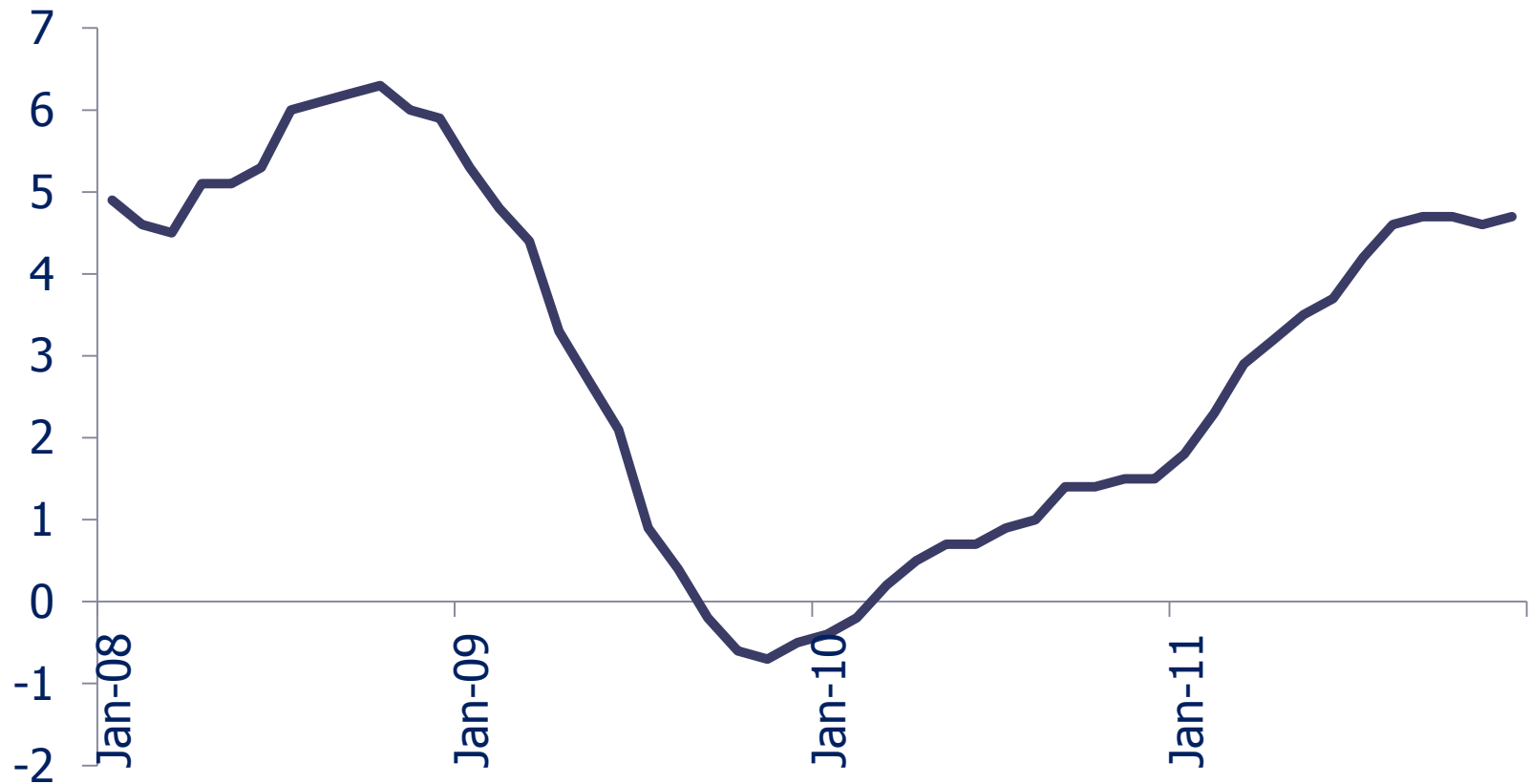


Weekly U.S. All Grades All Formulations Retail Gasoline Prices (Dollars per Gallon)



CPI for all Urban Consumers, not seasonally adjusted, Jan 2008 – Dec 2011 (12 month % change)

Food



CPI for all Urban Consumers, not seasonally adjusted, Jan 2008 – Dec 2011 (12 month % change)

All items less food and energy

